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OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY**

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NORTHERN BRANCH WEEKLY

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12 September 1949

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Office of Reports and Estimates
Northern Branch

BRITISH DIVISION

UNITED KINGDOM

1. Union leaders vote support of Government's economic program...

Trade union leaders pledged overwhelming support of the Government's economic program, including restraints on wage demands, at the annual conference of the Trades Union Congress last week; just as solidly, however, they went on record as rejecting any attempt to cut real wages or the existing level of social service benefits. A huge majority vote was cast supporting the TUC-sponsored anti-Communist drive; all resolutions which might have proved embarrassing to the Labor Government, such as those calling for further nationalization measures, were abandoned; little attention was paid to increasing productivity and efficiency. These were the more significant developments of the conference, and the Government will be justified in considering them, by and large, a demonstration of trade union cooperation in its policies.

... but labor troubles loom if economic pressure mounts

It remains to be seen, however, whether union leaders can succeed in persuading their 8,000,000 rank-and-file to live up to the conference decision relating to wage restraints. Indeed, despite the sentiment expressed at the Conference, British labor may well face a cut in real wages as a result of new Government measures to cope with the economic situation. These measures could precipitate unrest and strikes.

To date Government spokesmen have not mentioned the unpleasant probability of a lower standard of living; in fact, Prime Minister Attlee has only recently, in common with other Laborite spokesmen, rejected decreased wages and welfare services as means of lowering the costs of industrial production. It is becoming probable, however, that the Government will shortly undertake economies which will impose some pressure on the working classes. The Government would no doubt seek to make the necessary adjustments as painless and indirect as possible, though whatever methods might be used

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the public could not completely escape the pinch of a lower living standard. This might well come as a considerable shock to the ordinary working man, enjoying as he does a feeling of relative well being. He understands little about the dollar problem, which has not yet impinged on his daily life and is, so far as he thinks about it, a problem for the Government to worry about. It remains to be seen to what degree labor will resent what it may feel is a failure of Socialist policy and promises, but it may turn toward increased strike action encouraged by Communist and extreme leftist propaganda.

2. Attlee speech stresses Anglo-US solidarity

Top Labor Party leaders do not intend to make political capital of Anglo-US differences during their election campaign or to blame US policy for the UK's current financial predicament, earlier considered as a possible tactic in order to escape blame for the financial troubles. The emphasis which Prime Minister Attlee placed upon continuing Anglo-American amity in his speech before the Trades Union Congress confirms this, although a few left-wing members of the Labor Party and the left-wing press have attempted to place the blame for the British crisis on US "capitalist" policies and may well continue this theme.

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4. Diplomatic difficulties with Eastern Europe

British reluctance to take strong retaliatory action for the expulsion or harassment of British diplomats in the Eastern European countries* has gradually yielded to a policy approaching reciprocity in this matter. Apart from public and parliamentary indignation in Britain, the Foreign Office has been moved to this policy by the hope of effecting more satisfactory treatment of its missions in Eastern Europe. The value of the policy relating to reciprocal expulsions, however, has been thrown into doubt by the recent Bulgarian move following the British demand for the recall of a Bulgarian legation officer from London. Bulgaria countered by requesting Britain to recall yet another officer from Sofia.

In addition to the obvious inconveniences and loss of face suffered by the British missions in the curtain countries, some of the recent expellees have been specially qualified for their assignments and their replacement constitutes a serious problem for the Foreign Office. Some Foreign Office officials, moreover, believe the satellite campaign against British diplomats to be not only Soviet-inspired but part of a larger Soviet plan to reduce the Balkan satellites to the status of Soviet constituent republics. The British Minister in Sofia has recommended to the Foreign Office that in order to stay satellite encroachments on the British diplomatic establishment in the Balkans, the UK group USSR and satellite diplomatic missions together in such a way that UK reprisals for satellite misconduct toward UK officials could be visited on Soviet or Eastern European diplomats alike.

* See NB Weekly, No. 51, 14 February 1949

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5. Briton appointed to Middle East Economic Survey Mission

The selection of a Briton as a deputy to the US chief of the Economic Survey Mission reflects the continuous and keen interest of the Labor Government in the economic development of the Middle East and the realization that any planning there will require US-UK cooperation, both financial and technical. The UK, which washed its hands of formal participation in efforts to find a political solution to the Palestine question as early as November 1947, is not a member of the Palestine Conciliation Commission which created the Economic Survey Mission. Nevertheless, Britain has been interested in initiating development projects which would serve the dual purpose of enabling the Arab states to settle permanently the Palestinian refugees now located within their borders and of improving generally the economic situation in the area.

Major Sir Desmond Norton, the Briton selected, has held important government positions as personal assistant to the Prime Minister from 1940-1946 and more recently as UK representative with the Inter-Allied Reparations Agency.

COMMONWEALTH AND EMPIRE

6. Commonwealth Relations Conference meets in Canada

One of the British Commonwealth's characteristic institutions is to be seen in Canada this week, where delegates from the UK, each of the Dominions, and the Republic of Ireland are attending a Commonwealth Relations Conference, the fourth since 1943, sponsored by the Institutes for International Affairs in each of these countries. (Conference rules were revised recently in order to permit Irish delegates to retain membership.) These unofficial meetings help strengthen the ideological ties of the Commonwealth, bringing together men in active political life and leading writers on Commonwealth affairs to air their views on the Commonwealth's structure and functioning. No formal decisions are taken, but the meetings do much to clarify thinking on specific questions such as the formula of last April's Commonwealth Prime Ministers' Conference whereby India remained in the Commonwealth, and also to promote that sense of family about whose existence political leaders

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in Commonwealth countries are frequently reassuring one another.

With the economy of the Commonwealth's principal member sadly shaken, the concept of indivisibility of the Crown qualified, and the emergence of new and different kinds of Dominions in Asia, the British Commonwealth has since the war been in a new stage of development. As in the past this Conference may have a decided influence on the atmosphere of opinion in which governmental decisions, particularly in the UK itself, must later be taken.

7. Maltese try "secession" threat on economic aid issue

Prime Minister Boffa's public threat on 10 September to withdraw from the British Empire and seek association with the US instead indicates a new intensity in Maltese demands on the UK for economic assistance; it does not indicate a problem in US-UK relations.

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Despite the increased ill feeling generated since, the Maltese Government's fundamental interest still focuses on dockyard jobs and food subsidies for its people, not in a change of flags.

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Union of South Africa

8. Prime Minister reaffirms repressive racial policy

Fuller reports of the Nationalist Party rally of 28 August contain two hints of increasing extremism on the part of the Union Government. One of these is Prime Minister Malan's declaration of his intention to enact at the January parliamentary session "as much as possible" of the apartheid program (stricter segregation of non-Europeans) long demanded by the Party's extremists. The program's most important measure, which involves further limitation of non-European franchise rights, has so far been blocked by the opposition of Finance Minister Havenga and his small Afrikaner Party, but Havenga is expected to make a new statement at the

*See NB Weekly No. 73, 22 August

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Afrikaner Party caucus in early November as to his Party's present stand on both the apartheid program and the Party's rumored merger with the Nationalists.

The other hint of possible things to come in South African politics is Malan's "blacking out" for several minutes at the beginning of his address, as he had done in February during parliamentary debate. Malan's age (75) and poor health have occasioned much speculation over which of his Ministers will succeed him; the current favorites are -- in this order -- Lands Minister Strydom, leader of the extremist wing and of the Party's powerful Transvaal Province branch; Interior Minister Donges, a favorite of the Prime Minister's as well as the most prominent of the Cape Province Nationalists next to Malan himself, and the elderly Havenga in the event of a Nationalist-Afrikaner fusion. It is possible Malan, to postpone the day of retirement, may soon seek to decrease his onerous ministerial duties by divesting himself of the portfolio of External Affairs.

Canada

9. Canadian labor conventions will push expulsion of Communist unions

Continuation of the battle against Communist infiltration in labor's ranks will be the special preoccupation of the regular annual conventions of Canada's two major labor organizations. The Trades and Labor Congress (TLC-AFL), which claims something under half of Canada's near-million trade unionists, meets in Calgary on 15 September; the somewhat smaller Canadian Congress of Labor (CCL-CIO) meets in Ottawa on 3 October.

At the TLC convention the conflict will center around the ouster of the Communist-dominated Canadian Seamen's Union (CSU) which succeeded in precipitating the long London dock strike of last summer. Following its suspension by the TLC in June and the failure of its prolonged jurisdictional struggle against the AFL-affiliated Seamen's International Union (SIU), the CSU unexpectedly resigned from the TLC on 1 September, but the acceptance of this resignation will undoubtedly be fought in the convention. Final departure of the CSU will emphasize the TLC's reversal of its position on the seamen's issue last year when, as an organization, it

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adopted an attitude of passivity on the issue of Communists in the Canadian labor movement. In personal terms, it represents a victory for the leadership of Frank Hall, Canadian Vice President of the Brotherhood of Railway and Steamship Clerks (TLC) who with AFL support led the movement against the CSU and the passive policy of TLC President, Percy Bengough. While the latter has been resentful of the AFL's alleged intervention in TLC affairs, particularly its semi-sponsorship of the SIU's successful intervention in the CSU strike of East coast deep sea shipping, a reconciliation with the AFL is reported to have been effected, and the touchy subject of American "dictation" in TLC labor affairs avoided. The Hall group is also expected to push for a purge of the textile and chemical unions whose leadership is Communist tinged.

In convention at Ottawa, the CCL, which has been strongly anti-Communist for some time, will consider the expulsion of the Communist-dominated Mine, Mill and Smelter Worker's Union, which has already been suspended.

10. New Canadian Parliament meets

The first session of the recently elected Canadian Parliament, which opens on 15 September with Newfoundland sending members for the first time, will be concerned mainly with business left unfinished at the dissolution of the 20th Parliament last spring. This includes the budget, ratification of the charter of the International Trade Organization, and domestic legislation. The session will undoubtedly be marked by discussion of Canadian trade and financial problems arising from the British dollar crisis, with a definite prospect of increased Canadian import restrictions on dollar purchases unless some solution making this unnecessary results from the current Washington talks. No significant change in Canadian foreign policy is to be expected.

The tremendous Liberal majority assures the Government a free hand. The June electoral sweep left the Liberals holding 193 seats, the Progressive Conservatives 42, the Commonwealth Cooperative Federation 12, Social Credit 10, and independent 5; the eight by-elections necessitated by subsequent vacancies and scheduled for 24 October will not significantly alter these totals, nor is there any Liberal Party schism immediately foreseeable. Prime Minister St. Laurent as a French-Canadian himself speaks for that most

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important minority group and his prestige throughout Canada is enormous.

SCANDINAVIAN DIVISION

NORWAY

1. Norway favors US arms for Sweden

Norwegian Government officials have indicated that they favor US commercial sales of arms to Sweden if this does not jeopardize the needs of Atlantic Pact nations. Still thinking in terms of "Scandinavian defense" despite Scandinavia's divergent views of the Atlantic Pact, Norwegian officials reason that an attack from the East would involve Sweden, which, if militarily strong, is valuable as a first-line of defense. The Norwegian Defense Minister believes that Sweden will adhere to a policy of technical neutrality for another 5 to 10 years because popular support for this policy is strong.

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